



**CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY**

**BOARD OF DIRECTORS MEETING**

**April 13, 2004 – 9:35 A.M.**

**Seascape Resort  
One Seascape Resort Dr.  
Aptos, CA 95003**

**(831) 685-2753**

**Minutes**

**I. CALL TO ORDER:**

President Henderson called the meeting to order at 9:34 a.m.

**II. ROLL CALL**

***PRESENT***

- |                                     |  |
|-------------------------------------|--|
| 1) Darrell Handy, <i>Alameda</i>    | 11) Jeff Davis, <i>REMIF</i>           |
| 2) Bob Koch, <i>Chico</i>           | 12) Carolyn Lyons, <i>Roseville</i>    |
| 3) Robyn Kain, <i>Fairfield</i>     | 13) Gus Guinan, <i>San Rafael</i>      |
| 4) Patricia Born, <i>Fremont</i>    | 14) Lynne Margolies, <i>Santa Rosa</i> |
| 5) Bill Henderson, <i>Livermore</i> | 15) Roger Carroll, <i>SCORE</i>        |
| 6) Kirk Evans, <i>Lodi</i>          | 16) John Hinson, <i>Stockton</i>       |
| 7) Quinn Johnston, <i>NCCSIF</i>    | 17) Barbara Coats, <i>Sunnyvale</i>    |
| 8) Scott Ellerbrock, <i>PERMA</i>   | 18) Paul Wildermuth, <i>Vacaville</i>  |
| 9) Ron Blanquie, <i>Petaluma</i>    | 19) Will Venski, <i>Vallejo</i>        |
| 10) Julie Theirl, <i>Pomona</i>     | 20) Jeff Tonks, <i>YCPARMIA</i>        |

***ABSENT***

*Redding, San Leandro*

### ***OTHERS PRESENT***

- |   |                                     |
|---|-------------------------------------|
| 1) Martin Cassell, <i>Chandler Asset Management</i> | 9) Craig Bowlus, <i>Marsh</i>       |
| 2) David Clovis, <i>CJPRMA</i>                      | 10) Brian Cooney, <i>Marsh</i>      |
| 3) Lola Deem, <i>CJPRMA</i>                         | 11) Jim Pinckney, <i>Marsh</i>      |
| 4) Robert German, <i>CJPRMA</i>                     | 12) Chris Millard, <i>Pomona</i>    |
| 5) Caren White, <i>CJPRMA</i>                       | 13) Bill Kaslar, <i>Santa Rosa</i>  |
| 6) Robin Johnson, <i>Driver-Alliant</i>             | 14) Lori Tomskey, <i>Santa Rosa</i> |
| 7) Mark McGonigle, <i>Driver-Alliant</i>            | 15) Mark Moses, <i>Stockton</i>     |
| 8) Byrne Conley, <i>Gibbons &amp; Conley</i>        | 16) Nanci Mills, <i>YCPARMIA</i>    |

### **III. APPROVAL OF MINUTES**

A motion by Director Davis, seconded by Director Wildermuth, to approve the minutes of the Board of Director's meeting held on November 20, 2003, passed unanimously.

### **IV. PRESENTATIONS**

President Henderson presented Bill Kaslar with a plaque and thanked him for his service to CJPRMA.

### **V. CONSENT CALENDAR**

- 1. Financial Reports of CJPRMA for the periods ending October 31, November 30, and December 31, 2003 and January 31, and February 29, 2004**
- 2. Additional Covered Party Certificates Approved by the General Manager**
- 3. Notification of New Claims Received**
- 4. Notification of Claims Closed**
- 5. Appointment of New Board Members/Alternates**
- 6. Proposed Amendment to Conflict of Interest Code**

A motion by Director Lyons, seconded by Director Born, to approve the consent calendar, passed unanimously.

### **VI. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD OF DIRECTORS ON MATTERS OF BOARD BUSINESS**

## **VII. ACTION CALENDAR**

### **7. Report From Broker**

Mr. Brian Cooney and Mr. Jim Pinckney, of Marsh, were present to discuss the renewals of the various commercial insurance programs for the 2004-2005 program year.

First, Mr. Cooney discussed the property program. He reviewed the total insured values and how those values were utilized in shopping for rates, as well as the breakdown of values between the primary and excess layers. He said that in 2003-2004 they had set up a three-year program with a rate of \$.035/\$100 value for 2003-2004 and \$.04/\$100 value for 2004-2005, based on loss ratios. He said that the rate for the excess layer was about \$.01/\$100 value, which was a reduction of about 10%. He said that the excess carrier had also deleted the margin clause for the 2004-2005 program year. He explained that the primary rate was locked in for the 2003-2004 program year through the 2005-2006 program year, based on loss ratios and a banking system for losses. He said that the premium from each year was added to a "bank" to pay against losses, which decreased the loss ratio each year going forward. He said that they had negotiated with Discover Re to extend the rate and loss ratio plan out on a rolling three year plan, which would result in stabilized rates for a number of years to come. Mr. Pinckney said that, if rates were to decrease, they could go back and renegotiate the rates.

Director Kain asked how these rates compared to other programs. Mr. Pinckney said that the current policy included coverage for many things that most policies didn't. Mr. Cooney said that they could not find the coverage that they had, for the rates they were paying, anywhere else.

The General Manager asked if they would be able to keep the deductible at \$25,000 in the future. Mr. Cooney said that, without any frequency, there was no reason for the carriers to want to increase the deductible.

Mr. Cooney said that there was a 7.5% rate reduction, based on the values, for the Boiler and Machinery program. He said that they had added an exclusion for buying replacement cost power, but that that was now standard.

Mr. Pinckney discussed the excess liability program and the excess reinsurance market. He reviewed the historical coverage and rate information. He said that they were going forward with the same limits that were expiring. He said that the excess coverage for 2004-2005 would

be split into two layers, both with American Re, made up of the first \$10 million and then the second \$10 million through a retrocessionaire. He said that there would be no difference in the coverage. He said that there was a \$20 million annual aggregate on the \$10 million excess of \$15 million layer, which could be reinstated once, for products and completed operations. He said that this would most likely not affect them because they were not in manufacturing. He said that the rate was \$.2026/\$100 payroll.

Board Counsel said that they had met with American Re to discuss the allocation issue. He said that the Memorandum of Coverage was a wasting policy meaning that defense costs and indemnity were all applied against the limit. He said that, normally, an insurance company would write an indemnity limit and unlimited defense costs secondary to that. He said that the reinsurer thought that the first \$5 million in damages was covered by CJPRMA and that any amount of damages in excess of that was covered by them, with defense costs allocated pro rata between CJRPMA and American Re. He said that the Memorandum and the reinsurance certificate stated that they were completely excess to that and that all defense costs should come within that level. He said that the underwriter had said that if defense costs and indemnity went together, the premium would be 24% higher and that they could not go forward without charging a higher premium. He said that he and the General Manager did not think that was a justified expense. He said that American Re would rewrite the reinsurance certificate to explicitly state that CJPRMA would pay \$5 million in damages and that they would pick up any amount of damages above that, and that they would pro rate the defense costs.

Mr. Pinckney discussed the Auto Physical Damage program, including the historical value base and rates. He said that there was \$1.5 million in coverage for any one loss with a \$10,000 deductible for all vehicles valued in excess of \$25,000. He said that it was a hybrid form using an Inland Marine type placement and that it included earthquake and flood coverage. He said that there was a 3.5% rate increase for the 2004-2005 program year, and that the rate would be \$.3086/\$100 value. He said that there were no more CIGA charges.

Director Margulies asked if they could cover selected city vehicles or if they needed to report them all. Mr. Pinckney said that he believed that they could. He said that if a vehicle was not scheduled, it was not covered.

A motion by Director Handy, seconded by Director Koch, to approve the proposed rates for the 2004-2005 program year, passed unanimously.

The General Manager said that the City of Vallejo had asked to be admitted

to the APD program. He said that, according to the JPA Agreement, approval required a two-thirds vote of the members in the APD program, which was currently made up of Alameda, Chico, Fremont, Lodi, Petaluma, REMIF, San Leandro, and Vacaville.

A motion by Director Koch, seconded by Director Born, to admit Vallejo to the APD program effective July 1, 2004, passed unanimously.

The General Manager said that the City of Vallejo had also asked to reduce their S.I.R. from \$1 million to \$500,000. He said that the JPA agreement stated that members could change their S.I.R. from year to year, with 6 months notice. He said that another member in the past had been permitted to change their S.I.R. with less than 6 months notice. He said that Board Counsel had opined that the Board could waive that requirement and allow Vallejo to reduce their S.I.R., effective July 1, 2004, and that his recommendation was that they do so.

A motion by Director Ellerbrock, seconded by Director Born, to allow Vallejo to decrease their S.I.R. to \$500,000, passed unanimously.

## **8. 2003 Claims Audit**

Mr. Craig Bowlus, of Marsh, was present to discuss the results of the 2003 Claims Audit and his recommendations.

Mr. Bowlus had five recommendations:

- 1) CJPRMA should increase its focus on making certain that counsel handling watch list cases addressed issues such as any proposition 51 exposure, and should document the process.
- 2) Members and their TPAs should report all EPL cases as soon as they go into litigation.
- 3) Documentation of primary incurred values in the excess files still needed improvement with respect to a few members. CJPRMA should still consider either creating a comprehensive Excel document or should acquire basic RMIS software to help achieve this goal.
- 4) In some cities, budget cuts appeared to be limiting investigations done in house or assigned out to TPAs. CJPRMA needed to increase its diligence in reviewing what had and had not been done with regard to investigating serious exposure cases.

- 5) An agreed format for interim reporting on watch list cases from self-administered cities should be developed.

Director Kain said that they had been doing a lot of research on the use of tasers. She asked if Mr. Bowlus had any comment about that in terms of claims expense. Mr. Bowlus said that he didn't have any information other than anecdotal information but that he would try to gather some for them.

A motion by Director Born, seconded by Director Lyons, to approve the 2003 Claims Audit, passed unanimously.

## **9. Report from Investment Manager**

Mr. Martin Cassell, of Chandler Asset Management, was present to review CJPRMA's investment portfolio. He discussed the overall economic environment, its effect on interest rates, the investment objectives for CJPRMA's portfolio, sector distribution of the CJPRMA portfolio, and the performance of the CJPRMA portfolio.

Board Counsel asked if Fleet Boston's purchase of Bank of America had affected the bond price. Mr. Cassell said that it could but that it had not, as yet.

Director Coats asked what the difference was between cost yield and effective yield. Mr. Cassell said that cost yield was the cost at the time the bond was purchased and that effective yield was the market price at the end of the month. He said that if the cost yield was higher than the effective yield, then there was an unrealized gain on the security, but that if the cost yield was lower than the effective yield, then there was an unrealized loss on the security.

Director Ellerbrock asked what the fee structure was. Mr. Cassell said that it was a tiered structure, but that the fee worked out to about 11 or 12 basis points. The General Manager said that it was based on the entire portfolio and that they paid about \$70,000 annually to Chandler for management of the portfolio.

Director Moses asked what the value of the PG&E note was. Mr. Cassell said that it was a \$1 million bond and that Chandler had negotiated step-ups for a group of bondholders that had resulted in an extra 3/8<sup>th</sup> of a point of interest for a year and an extra 3/4<sup>th</sup> of a point of interest for another year. He said that they had earned an additional \$50,000 to \$60,000 in interest on that bond.

## **10. Proposed Risk Management Business Plan for 2004-2005**

The Risk Manager was present to discuss the Risk Management Business Plan for 2004-2005. He said that he had surveyed the members to determine what kind of training they wanted and needed, and had looked at the recommendations of the claims audit, and tried to develop a program based on that. He said that the first few training sessions were already scheduled, but that they were open to suggestions for training beyond that. He said that he had tried to make the training regional so that more members could attend. He discussed the first scheduled training, a presentation by Randy Means, held in conjunction with East Bay Regional Parks District and CCCMRMIA, in September or October 2004. He said that further training would be on subjects such as sewer overflows, public works, park and recreation programs, insurance requirements in contracts. He said that they were going to try to do a risk management evaluation of each member every three to four years, which amounted to 6 evaluations per year. He said that the plan was to go to the organization, meet with the Board member as well as the department heads and city managers, evaluate hazards and then let the member know how they were doing.

Director Davis said that they needed to make sure that any training for police officers was POST certified in order to ensure attendance. The Risk Manager said that he would try to do that.

The Risk Manager said that he hoped to add a fire department portion to the training plan in coming years.

The Risk Manager said that he had developed a budget based on this business plan. He said that there were a lot of estimates in the budget because there was no previous experience upon which to base it. He said that he wanted to establish a police committee fund with a pool of \$10,000 for police training.

Director Tonks asked about the Risk Manager Conferences, Memberships & Subscriptions and Mileage & Meetings line items. The Risk Manager said that the Conferences item was an approximate expense for conferences and training. The General Manager said that the Risk Management Business Plan budget had been incorporated into the Operational Budget which they would be reviewing later.

Director Kain asked about the Training Software line item. The Risk Manager said that he was looking at a few different pieces of training software and that the line entry in the budget was an estimate at this time.

The Risk Manager said that he had a video tape available on the Child Abuse and Neglect Reporting Act for any member that wanted to review it. He said that they could purchase it as a group, and that it was an effective training tool for line staff. He also said that a sample Child Abuse and Neglect Reporting Act policy was available on the CJPRMA website.

#### **11. Report from Personnel Committee on Proposed Adjustments to Staff Salary Ranges and Benefits**

Director Hinson said that the Personnel Committee had been directed to review the salaries and benefits of the staff, compensation for the Risk Manager for the travel his job requires, and medical and retirement benefits. He said that the Risk Manager had gathered the data and that the result of that data collection had been used to generate the Personnel Committee's recommendations. He said that the Personnel Committee had met and come up with the recommendations set forth in their report, with the addendum that all staff benefits be fully reviewed and reevaluated every two years and that a cost of living adjustment be provided for the interim years. He said that it was important that they be consistent with the group of cities and JPAs that they used for comparison purposes, and that that was part of their recommendations. He said that they had recommended joining the PERS medical group. He said that the current salary ranges were lower than those in the comparison cities and that they had recommended increasing them. He said that the real cost of the proposed increases was about \$26,000. He said that they had recommended establishing a Section 125 plan for staff and that the life insurance benefit be increased to one and a half times the salary of each staff member. He said that they had recommended that the General Manager's benefit package should be, at a minimum, at the same level as the staff. He said that they had recommended 5 days administrative leave annually for all exempt staff and that the 3 year waiting period for long term disability benefits be eliminated. He said that they had recommended that the Risk Manager be given an auto allowance of \$450 per month, retroactive to January 1, 2004.

Director Kain asked if the Personnel Committee had gotten quotes from any source other than CalPERS for health care plans. Director Hinson said that they did not get quotes from a broker but that they had looked at other options that were out there and that they were very limited. The Risk Manager said that, for an employee group as small as CJPRMA's, there were two options: (1) to get individual plans based upon historical usage and existing health issues and which may not be available based on those same factors, and were extremely expensive, or (2) to get a health plan for an employee group of five which did not provide choices for the employees and could also be cost prohibitive. Director Kain suggested that there were other options out there for small employee groups and that they should

investigate further. She said that CalPERS was not the best option based on cost and rating issues. Director Hinson said that, since the Personnel Committee was required to reevaluate benefits every two years, they should go ahead and approve the recommendations and continue to look at options. Director Koch said that CalPERS was not a good option at this time.

Director Davis suggested that they increase the amount the employees currently received for medical benefits and continue to allow them to purchase their own coverage while the Personnel Committee conducted further investigation into health care plans. The Risk Manager said that that was not a feasible option for staff.

Mr. Kaslar said that premium on life insurance policies, over \$50,000, was taxable. Director Koch said that taxable value up to \$150,000 was insignificant.

Director Margulies asked if they were required to include the cafeteria plan in the PERS resolution. The Risk Manager said that PERS required that they state whether there was an equal or unequal contribution plan, and that the option in the resolution was the least expensive one for the Board. He said that it was required, by PERS, that they state the employer's contribution to their employees' health care because that was the amount that was used to determine retiree benefits.

Director Kain said that, by joining CalPERS for medical, CJPRMA was taking on an obligation for retiree health care, which could become costly. The Risk Manager said that the employer contribution for retiree health care was currently \$1, but that it increased by 5% annually based on the employer's contribution for active employees, until it was equal to the contribution for active employees.

Director Blanquie asked what the percentage increase would be over last year for the proposed benefits and salaries. The General Manager said that it was about 5%. Director Blanquie said that his city, like many others, was facing personnel budget cuts and that it was uncomfortable for him to increase personnel costs for CJPRMA. Director Hinson said that the salary ranges had not been increased in 3 years.

Director Davis said that \$750 was a very low amount for medical benefits. He said that he supported the medical increase but didn't support going with CalPERS. He said that he was concerned about the potential increase in costs to the employees. The General Manager said that that had been discussed with the staff and that they had agreed that if the Board was willing to approve the recommendation, that that was the plan that they

wanted to go with.

Director Coats said that CalPERS was becoming a bad deal for large entities but that she didn't think there were many other options for a five employee group.

Director Hinson said that the median benefits cost amongst the agencies surveyed was \$880.50. He said that they were recommending an increase to \$800, which was still below the median.

Director Coats asked how they had decided on a 20% difference between the top and bottom of the salary ranges. Director Hinson said that that was what most agencies currently did. Director Evans said that, historically, CJPRMA had had a 20% differential between the top and bottom of the range, but that most cities he had surveyed had 25% ranges. He said that CJPRMA had no salary steps, but that the General Manager had discretion for merit increases within the range up to 7.5%.

Director Davis said that 12 benchmark agencies seemed cumbersome. Director Hinson said that they needed to survey cities comparable to where staff would be drawn from. He said that they could choose a different benchmark group if they wanted to, but that they should be consistent.

Director Kain asked if they intended to self-administer the Section 125 plan. She said that they needed a plan document. The General Manager said that they would.

Director Margulies said that the potential cost of the retiree medical benefits needed to be examined further. She said that unless they included something in their plan, they could be required to pay retiree benefits for someone who worked for CJPRMA for one day.

Director Venski suggested that they approve all the recommendations of the Personnel Committee. He said that they needed to provide an appropriate level of benefits for the staff.

Director Lyons said that there was an unfunded liability for the retiree medical benefits and that they needed to investigate further before approving anything.

A motion by Director Koch, seconded by Director Kain, to approve the recommendations of the Personnel Committee except for items 2, 3, 6 and 15, which required further study, failed by a vote of 9 to 10. Livermore, Lodi, NCCSIF, PERMA, REMIF, SCORE, Stockton, Vacaville, Vallejo,

and YCPARMIA dissented. Pomona, Redding and San Leandro were absent.

A motion by Director Venski, seconded by Director Davis, to approve the recommendations of the Personnel Committee, passed by a vote of 10 to 9. Alameda, Chico, Fairfield, Fremont, Petaluma, Roseville, San Rafael, Santa Rosa and Sunnyvale dissented. Pomona, Redding and San Leandro were absent.

Director Davis said that they needed to set up a reserve for potential retirement costs.

A motion by Director Ellerbrock, seconded by Director Davis, to approve Resolution Number 2004-1 authorizing participation in the PERS health care program, passed by a vote of 13 to 6.

## **12. Proposed Budget for the 2004-2005 Program Year**

The Financial Analyst presented the proposed operating budget for the 2004-2005 Program Year. She said that the budget for 2003-2004 was expected to come in approximately \$109,000 under budget due to savings resulting from nonuse of the contingency fund, less than anticipated use of outside legal services, reduced use of IT support and acquisition of software, reduced use of consultants, and less than anticipated staff training and travel. She said that the proposed budget for 2004-2005 included an increase of approximately \$154,000. She said that \$87,100 of that was for the Risk Management Business Plan, and \$27,020 was for an increase in PERS expenses.

Director Lyons asked if the proposed budget included the expenses for the new staff salaries and benefits. The Financial Analyst said that they would have to add that.

Director Born said that it appeared that the addition of the risk management budget did not correspond to the increases in the operational budget. The Financial Analyst said that the changes in the operational budget included additional funds for the risk management budget as well as changes in the operational budget. The General Manager said that some line items had been decreased based on usage but increased by the amount requested for the risk management plan, so the changes were net changes.

Director Born asked for clarification on the line items for Staff Training, and Risk Management Travel. She asked if the total of the two line items was for staff training and conferences. She said that \$34,000 seemed

unreasonable. The Financial Analyst said that they had budgeted \$18,000 for staff conferences, training and travel, but only expected to use \$9,600 by the end of the current year. She said that line item 39 was strictly for the Risk Manager's training, conferences and travel. Director Born said that she would like to see an outline of what that money would be spent for. The Risk Manager said that he had planned to go to the AFTA and PRIMA conferences and that there was other training and conferences he was interested in attending. The General Manager said that he would recommend that they delete line item 39 entirely.

Director Hinson said that he wanted to discuss line item 45, the Annual Retreat. He said that he thought that they should discuss decreasing the budget for the retreat by about 50%. The General Manager said that it cost about \$40,000 for the meeting. President Henderson asked what they would save if they reduced the retreat to two days. The General Manager said that they would save \$5,000-\$7,000. He said that they could reconsider the location, but that the Board had always wanted to conduct the retreat in the type of facility that they were currently using. President Henderson asked if anyone was interested in looking at changing the location for next year. The General Manager said that the type of facilities they were using helped to make the retreat successful and that he would recommend that they continue using facilities like Seascape.

Board Counsel asked about line item 41, Member Training. The General Manager said that members usually requested their reimbursements in June. Board Counsel asked if they should reduce that line item to offset some of the cost of the Risk Management Business Plan. Director Koch said that they still needed reimbursement for training not covered by the Risk Management Business Plan.

Director Tonks asked why office equipment was rented instead of purchased. The General Manager said that the lease for the copiers was less expensive, and that it included maintenance.

Director Tonks said that he would like to see the end of year actual budget figures to compare with the proposed budget. He asked why they weren't self-insuring the office liability coverage. The General Manager said that purchasing insurance for office liability was a minimal expense for a potentially large exposure. Director Tonks asked about line item 18, SPARTA/PROMPT. The General Manager said that they had to pay deposit premiums that would be credited back based on usage. He said that they were looking into other options for special events and contractor's coverage. Director Tonks asked if the actuary included the cost of the operating budget in the actuarial study. The General Manager said that he did. Board Counsel said that the actuary was including \$.025 in the rates

for Pools B, C & D. The General Manager said that that rate needed to be increased slightly.

A motion by Director Davis, seconded by Director Born, to approve the proposed budget, with the deletion of the line item on risk management travel, and the addition of funds to cover increased personnel costs, and a comparison of two years of actual history included in future proposed budgets, passed unanimously.

## **VIII. COMMITTEE REPORTS**

### **A) Claims: Darrell Handy, Chair**

The Claims Committee had nothing to report.

### **B) Coverage: Jeff Tonks, Chair**

The Coverage Committee had nothing to report.

### **C) Personnel: John Hinson, Chair**

The Personnel Committee had nothing further to report.

### **D) Communications: Bob Koch, Chair**

The Communications Committee had nothing to report.

### **E) Membership Standards: Patricia Born, Chair**

The Membership Standards Committee had nothing to report.

## **IX. CLOSED SESSION**

### **1. Government Code Section 54954.5**

Case Review/Planning

### **2. Government Code Section 54956.9 (a)**

Conference with Legal Counsel - Pending Litigation

**Name of Case:** Beeby v. City of Manteca

**Court:** United States District Court, Eastern District of California

**Case No.:** CIV S-98-0425 FCD PAN

**3. Government Code Section 54956.9 (a)**

Conference with Legal Counsel - Pending Litigation

**Name of Case:** Wowak v. City of Sunnyvale

**Court:** United States District Court, Northern District of California

**Case No.:** C03 00394 RMW

**4. Government Code Section 54956.9 (a)**

Conference with Legal Counsel - Pending Litigation

**Name of Case:** Thornburgh v. City of Auburn

**Court:** Placer County Superior Court

**Case No.:** S CV-14683

**5. Government Code Section 54956.9 (a)**

Conference with Legal Counsel - Pending Litigation

**Name of Case:** McGee v. City of Alameda

**Court:** N/A

**Case No.:** N/A

**X. ACTION ON CLOSED SESSION ITEMS**

- None

**XI. ADJOURNMENT**

A motion by Director Born, seconded by Director Davis, to adjourn at 9:00 a.m. on April 15, 2004, passed unanimously.